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31 March 2004

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th and Constitutions Ave., NW
Washington, DC 20551

Subject: Docket No. R-1181

Comments on Proposed Rule Making: Community Reinvestment Act Regulations

CANICCOR provides rankings of the social responsibility of financial corporations to institutional investors and serves as a consultant to these investors in dialogues with these corporations.

These comments were requested by the Access to Capital Working Group of the Interfaith Center on Corporate Responsibility as well as individual institutional investors. The opinions presented are those of CANICCOR.

CANICCOR objects to the changes in reporting and the definitions of small institutions in the proposed regulations and supports the maintenance of the current regulations defining small institutions and reporting from 1995.

If the proposed changes had been in effect in 2002, the reporting of loans to small businesses would have been reduced by 19%, of loans to small farms by 32% and of development and 3rd party loans by 8%, as shown on the left hand side of the figure on page 2. For CRA Performance Evaluations of the remaining individual depositories, such decreases in the reporting of loans to small business and especially to small farms could significantly change the industry levels used for comparison with the examined depository, resulting in an inaccurate Community Performance Evaluations by federal regulators as well as CANICCOR Rankings for all other depositories. Our major concern is the effect on the reporting of subsidiaries of bank holding companies with assets of greater than $1 billion.

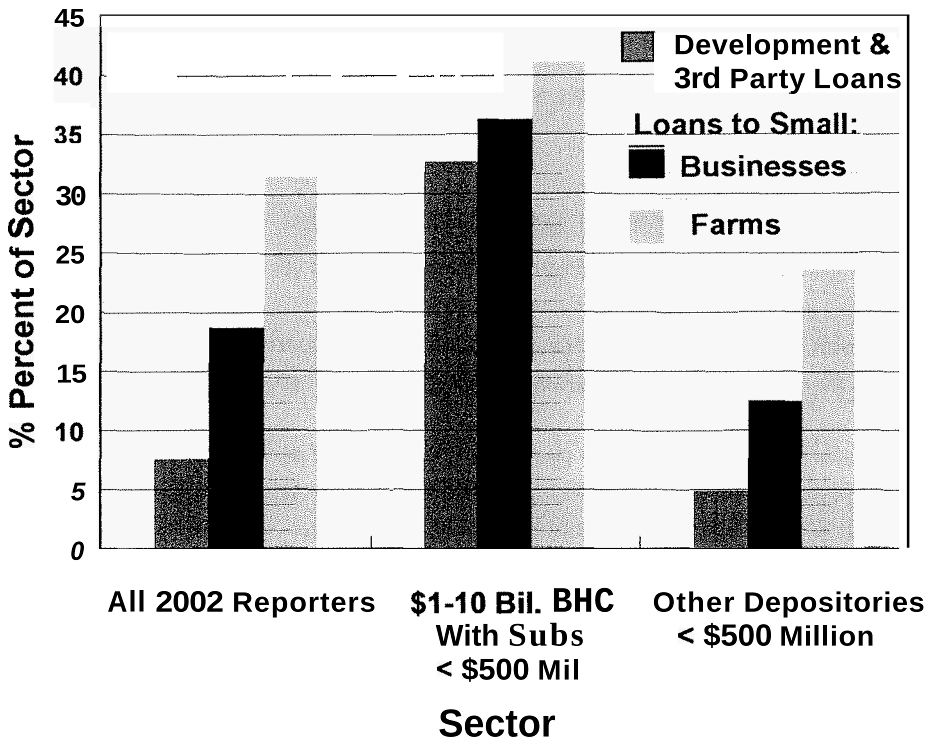
I. CANICCOR objects for the following reasons to the change of CRA regulations to eliminate the reporting of CRA data for subsidiaries with assets of less than $500 million of bank holding companies with assets of $1 billion or greater:

- Between one-quarter and one-third of all bank holding companies with assets between $1 billion and $10 billion in 2002 held bank subsidiaries of assets of less than $500 million. If the proposed regulations had been applied in 2002, these 64 holding companies with 195 smaller bank subsidiaries would have reported between 30% to 40% less in development lending, and loans to small businesses and small farms, as shown in the middle section of the figure.

Percentages of Sectors Eliminated from the 2002 CRA Data if the Proposed Regulations had been in Effect.

The Sectors are:

- **All CRA reporters**
- **The 64 bank holding companies with assets of $1 billion up to $10 billion that had subsidiaries with assets of less than $500 million, and**
- **All other depositories with asset of $250 to $500 million.**



In fact for the $1 billion to $2 billion asset category of holding companies, their reporting of small farm loans would have dropped by more than half The total declines incurred by the proposed regulations in reported lending by these holding companies of $1 billion to $10 billion are shown in the middle of the figure above. Holding companies of $10 billion or greater would have been less effected with the exception of about four including Synovus Financial.

- The decrease in the number of assessment area census tracts of the holding companies by excluding small subsidiaries would decrease the amount of Home Mortgage Disclosure Act lending that would have been counted as within the assessment areas for CRA Performance Evaluations. For the 64 holding companies in 2002 with assets of $1 billion up to $10 billion and subsidiaries with assets of less than $500 million, there would be a reduction by about one-quarter in the amount of purchase mortgages and home improvement loans counted as within the assessment areas of the holding company and thus included in the CRA performance evaluations.

As a result:

- If any of these holding corporations with assets of $1 billion or greater sought to merge or acquire another institution, the Federal Reserve would not have had significant amounts of CRA lending data for an adequate evaluation. This lack of data would have impaired the

CRA performance evaluations of these holding companies for mergers and acquisitions, and could lead to unexpected subsequent CRA performance results if the acquisition merges several inadequately evaluated depositories.

- Similarly, institutional investors with social screens would find difficulty in evaluating the social performances of these holding companies, thus hindering any investments in these corporations, placing of deposits, and/or the purchase of debt instruments and services.

11. CANICCOR also objects to the exclusion of other depositories with assets of $250 million to $500 million:

- If the proposed regulations had been in effect in 2002, 631 depositories with assets in the range would not have reported, with the amount of loans reported to small business to declining by 13%, to small farms by 24% and for development and 3rd party lending by 5%, as shown on the right hand side the figure.

- Such decreases in loans to small business and especially to small farms would have significantly changed the industry levels for comparison to the remaining depositories for which detailed CRA performance examinations would be performed by all federal regulators.

Comments Regarding Regulatory Burden:

If there be a need to reduce regulatory burden, CANICCOR proposes that the 1995 regulations be amended in a fashion similar to the following: Alter the current 1995 regulations to require reporting for only those institutions that have originated at least $10 million in loans in one or more of the following categories: development & 3rd party loans, loans to small businesses or loans to small farms, the latter two types being exclusive of correspondent lines. This minimum reporting level would have had only a minor effect on the total reporting but would have reduced the number of reporters in 2002 by almost 300, i.e. 294, or by nearly a third of the reporters that would have been excluded under the proposed regulations.

CANICCOR supports the section: Assigned ratings (c): Effect of evidence of discriminatory, other illegal and abusive practices. CANICCOR urges that these requirements be broadened perhaps through Congressional legislation.

The CRA performance evaluations must reflect any violations of consumer protection laws as well as any patterns of lending based upon liquidation of the collateral (Section (c) ii). Regrettably, the current regulatory structure hampers the complete evaluation of non-bank affiliates and would require for implementation some legislative changes, perhaps similar to that suggested by the General Accounting Office on 24 February 2004 before the Senate Special Committee on Aging.[1] Once APRs are reported under HMDA, the regulators should be able to focus on some of the more egregious cases.

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[1] D. G Wood, Testimony before the Special Committee on Aging, U.S. Senate, 24 February 2004, " Federal and State Agencies Face Challenges in Combating Predatory Lending", GAO-04-412T, U. S. General Accounting Office.

CANICCOR supports the greater detail in the reporting of small business and small farm loans to be aggregated at the level of each census tract rather than the present level of census tract category as developed in 1995. However, if this finer level of collection is only possible under the proposed definition of "small institutions", then our preference is for not changing the present definition of small institutions now in force and leaving the level of aggregation unchanged.

The details supporting these statements are given in the appendix to these comments. Please contact me if there are any questions as to my methods of analysis. Thank you for this opportunity to comment on these proposed regulations

Sincerely yours,

John E. Lind

John E. Lind, Ph.D.
Executive Director

Cc: Steering Committee, Interfaith Center on Corporate Responsibility (ICCR), Working Group on Access to Capital, $110 billion in assets under management by members and affiliate members including:

Protestant Church Funds, assets under management of more than **$26** billion:
Patricia Zerega, Evangelical Lutheran Church in America
Vidette Bullock Mixon, General Board of Pension and Health Benefits
The United Methodist Church
Mark **A.** Regier, Stewardship Investing Services Manager,
Mennonite Mutual Aid
William Somplatsky-Jarman, Presbyterian Church (USA)
Brian Grieves, Episcopal Church

Healthcare Systems, assets under management of **$4.4** billion:
Susan Vickers, Catholic Healthcare West
Catherine Rowan, Trinity Health

Investment Fund Managers, assets under management of $13.9 billion:
Lauren Compere, Boston Common Asset Management
Julie Fox Gorte, Director, Social Research Department, Calvert Asset Management Co.
Steven Lydenberg, Chief Investment Officer, Domini Social Investments LLC
Joan Bavaria, President, Trillium Asset Management Corp
Kenneth Scott, Vice President, Portfolio Manager, Walden Asset Management

Religious Orders, assets under management of more than $1.1 billion:
Rev. Joseph P. La Mar, Maryknoll Fathers and Brothers
Séamus P. Finn, Missionary Oblates of Mary Immaculate
Valorie Heinonen, Sisters of Mercy Region of Detroit Charitable Trust
Mercy Investment Program

Others: Paul M. Neuhauser, Professor Emeritus, School of Law, University of Iowa, ICCR Board

Appendix
OVERVIEW OF THE EFFECTS OF THE PROPOSED COMMUNITY REINVESTMENT ACT REGULATIONS

The proposed Community Reinvestment Act (CRA) regulation changes include raising the minimum asset level of reporting depositories to $500 million for all depositories. The present regulations require the reporting of all depositories of all asset sizes of holding companies with assets of $1 billion or more and the reporting of other depositories of $250 million or more. Thus the proposed regulations eliminate the reporting of all depositories with of $250 million up to $500 million in assets plus all depositories of less than $250 million that are held by bank holding companies of $1 billion or more.

The effects of the proposed Community Reinvestment Act (CRA) regulations can best be analyzed by applying them to the latest available CRA data, i.e. the 2002 data released in August 2003. According to the 2002 CRA data, 1892 depositories with assets of $6,624 billion reported CRA data, based upon the reporting of loans to small businesses, loans to small farms and community development & 3rd party loans. Total small business and small farm loans are reported, but CANICCOR focuses upon the subsets of loans to small businesses and small farms, which are of concern to institutional investors with social concerns.

If **the** proposed regulations had been applied to the 2002 data collection, only 988 depositories would have reported or 53% of those that reported in 2002. Of those that would not have reported, 357 or 36% of those excluded would have been subsidiaries of bank holding companies with assets of $1 billion or more and 631 would have been depositories with assets of less than $500 million but not subsidiaries of large holding companies. Table I outlines the decrease in loan reporting that would have resulted.

Table I. Effects of the Proposed CRA Regulations on 2002 CRA Data Reporting, Assuming the Proposed Rebulations been in Effect at that time.
The total effects are separated into those affectins holding companies of **$1** billion or more and then affects of other e

	Total Reported In 2002	Excluded under Proposed Regulations		Reported by Depositories with Assets of less than $500 million			
		Amount	Decline from 2002	Subsidiaries of Holding Co's of ≥ $1 billion in Assets		Other Depositories	
						Amount	Decline
	$ billions	$ billions	%	$ billions	Decline	$ billions	%
Development & 3rd Party Loans	23.926	1.824	7.6%	0.649	2.7%	1.175	4.9%
Loans to Small Businesses	112.090	21.238	18.7%	7.210	6.2%	14.028	12.5%
Loans to Small Farms	13.371	4.207	31.5%	1.051	7.9%	3.156	23.6%
Depositories excluded from reporting			988		357		631
Note: Development & third party loans include correspondent line loans while small business and small farm loans do not.							

The proposed regulations would decrease the reporting of development and third-party lending by 7.6%, of loans to small businesses by 18.7% and of loans to small farms by **31.5%. As** table I shows, these decreases are split roughly with one-third attributable to small subsidiaries of bank holding companies with assets of $1 billion or more and two-thirds to other small depositories with assets between $250 million up to $500 million. The details of these computations are given below.

Objection to the Elimination of Data on Small Subsidiaries of Holding Companies with Assets of $1 billion or over.

Until smaller bank holding corporations consolidate their banking subsidiaries, the requirement that all subsidiaries of holding corporations of $1 billion or more report CRA data should not be eliminated. CANICCOR recently received a request to evaluate the social rankings of Heartland Financial USA Inc of Dubuque, IA (HTLF). Heartland is a bank holding corporation with **6** depository subsidiaries and total assets of $1.6 billion according to the 2002 CRA and HMDA data. Of these six subsidiaries only one, Dubuque Bank and Trust, held assets of greater than $500 million.

Table II shows the amounts of lending that would not be reported under the proposed regulations if they had been in effect in 2002 for Heartland as well as a holding company ten times its size, Synovus.

Reporter Assets $ millions	Number Report-ers	Assets of Reporters $ millions	Assets of Reporters % 2002	Loans to Small Businesses $ Millions	Loans to Small Businesses % 2002	Loans to Small Farms $ Millions	Loans to Small Farms % 2002	Community Dev. 3rd Party Loans $ millions	Community Dev. 3rd Party Loans % 2002
All	6	1,640	100.0%	203	100.0%	72.0	100.0%	3.141	100.0%
< $500	5	955	58.2%	156	76.9%	37.6	52.2%	2.981	94.9%
All	38	17,934	100.0%	1,948	100.0%	86.8	100.0%	514.3	100.0%
< $500	31	7,293	40.7%	1,122	57.6%	63.2	72.8%	73.2	14.2%

For both of these corporations, the effect of excluding subsidiaries with assets of less than $500 million would have been to decrease loans to small businesses and loans to small farms by between one-half to three-quarters. The effects on development and 3rd party loans would have been quite the opposite for these two corporations. Almost all (95%) of Heartland's development lending would have been eliminated, while only 14% of Synovus' lending would have been eliminated.

Needless to say, reporting for only subsidiaries of $500 million or more would have completely distorted the social performances of both these holding corporations for both investors and, in the case of an acquisition, for the Federal Reserve. A major concern would also be that some of the smaller subsidiaries might not see any need to provide the bulk of the community and development lending that they now do with the present examination system.

In order to evaluate the effect of the exclusion of subsidiaries of less than $500 million on a broad base of bank holding companies, the "regulatory high holder 1 identities'' (RSSD **9348)** from bank call reports for year-end 2002 were added to the HMDA and CRA data for 2002 and the data were aggregated by this identity number. This aggregation does omit any savings institutions, which might have been acquired by a holding company. The asset *sizes* were those provided by the **HMDA** and CRA data.

As shown in Table III, the number of subsidiaries with assets of less than $500 million of all bank holding companies with assets of $1 billion or more in 2002 totaled only 357 depositories or **38%** of the 988 depositories excluded by the new regulations. Of this total, 195 were subsidiaries of the holding companies of greatest concern, i.e. those with assets of $1 billion to $10 billion, because such large percentages of their lending were through these small subsidiaries. The other 162 small depositories were subsidiaries of holding companies with assets of $10 billion and over, of which nearly a quarter of them **(38)** were subsidiaries of one corporation, Synovus Financial.

Asset Size Holding Corp $ billions	Number Of Bank Holding Corps	Number of Subsidiaries Small Bank Category Assets in millions of dollars		
		< $250 mil	250-< 500	Total < 500
1 - < 2	31	55	23	78
2 - < 10	33	112	5	117
≥ 10	28	121	41	162
Total	92	288	69	357

The results are shown in Table IV for the two groups of bank holding companies that would be most significantly affected by the exclusion of small bank subsidiaries. These two groups of holding companies were the 116 holding companies with assets of $1 billion up to $2 billion and the set of 109 holding corporations with assets from $2 billion up to $10 billion.

	Total for Bank Holding Corporation			Total for only the Subsidiaries of less than $500 million in Assets		
	All Holding Corps	Those with Subsidiaries Less than $500 million				
	$ Millions	$ Millions	% Total	$ Millions	% of Group	% of Total
Assets	$156,416	$42,012	26.9%	$13,745	32.7%	8.8%
Development and Third Party Loans	1,110	415	37.4%	159	38.3%	14.3%
Loans to Small Businesses	8,506	2,411	28.3%	980	40.6%	11.4%
Loans to Small Farms	1,080	509	47.2%	281	55.1%	26.0%
Assets	480,856	150,820	31.4%	39,310	26.1%	8.2%
Development and Third Party Loans	3,979	702	17.6%	206	29.3%	52%
Loans to Small Businesses	15,958	5,924	37 1%	2,015	34 0%	12.6%
Loans to Small Farms	2,557	1,381	54.0%	495	35.9%	19.4%

As Table IV shows, between one-quarter and one-third of all bank holding companies with assets between $1 billion and $10 billion held bank subsidiaries of assets of less than $500 million. These holding companies with these smaller bank subsidiaries would have reported between 30% to 40% less in development lending, and loans to small businesses and small farms. In fact for the $1 billion to $2 billion asset category of holding companies, their reporting of small farm loans would have dropped by more than half.

Larger holding companies have tended to consolidate their subsidiaries and any smaller subsidiaries would not usually represent such a significant proportion of their lending. Thus there were only 4 bank holding companies with assets above $10 billion where the subsidiaries with assets below $500 million accounted for more than 10% of total assets. The classic example is Synovus Financial Corporation (SNV) with **38** subsidiaries and $17.8 billion in assets, of which 31 had assets of less than $500 million and represented 42% of total assets.

A similar analysis of savings institutions using the parent information from the year-end 2002 Thrift Financial Reports shows only 4 savings institutions with more than one depository subsidiary and total assets of $10 billion or greater. For total assets between $1 billion and $10 billion, there were **6** institutions, all of which held a depository subsidiary of less than $500 million, but none of these smaller depositories reported any development & third party lending nor any small business or small farm lending. Zero small business and small farm lending is not surprising since savings institutions have traditionally lent on real estate but not on business loans, but the lack of development and third party loans is disappointing. Suffice it to say, that the proposed regulations would have no effect on the reporting of subsidiaries of savings institutions with total assets of $1 billion or greater.

Finally, CANICCOR is concerned by the loss of assessment area information. Analysis by CANICCOR is by metropolitan statistical area (MSA) or the portions of an MSA that are within and outside of the assessment areas. The federal regulators follow a similar procedure, focusing only on the assessment areas. Many small depositories do service only a portion of an MSA. Thus without assessment area information, these small lenders would be at a disadvantage to be compared to the performance of lenders throughout the MSA. Table V shows this loss for bank holding companies with assets of $1 billion or more on the basis of the number of census tract that would not have been reported for their total assessment areas.

Table V. Loss of Assessment Area Census Tracts caused by Excluding all Banks with assets of less than

	Total for Bank Holding Corporation			Total for only the Subsidiaries of less than $500 million in Assets		
	All Holding Corps	Those with Subsidiaries Less than $500 million		Number	% of	% of
	No. Tracts	No. Tracts	%Total	Tracts	Group	Total
Bank Holding Companies with Assets from $1 billion up to $2 billion						
Assessment Area Tracts	76,946	27,142	35.2%	16,065	59.2%	20.9%
Assessment Area Tracts	165,676	150,820	32.1%	19,635	36.9%	11.9%

Consolidating from Table V, the 64 bank holding companies with assets between $1 billion up to $10 billion with subsidiaries of less than $500 million would have ceased reporting 44.4% of their assessment area tracts. For all 288 bank holding companies with assets of $1 billion or greater, the reduction in the number of census tracts reported for assessment areas would have been 11.1% in 2002, while for only those with subsidiaries with assets of less than $500 million, the reduction would have been 17.4%.

Particularly for the 64 bank holding companies with assets of $1 billion up to $10 million and subsidiaries with assets of less than $500 million, the decrease of 44% in the reported assessment area tracts would significantly alter the analysis of the Home Mortgage Disclosure Act (HMDA) data. Table VI shows the shift in the amount of HMDA reported loans from assessment areas to non-assessment areas because of this loss of the reporting of assessment area census tracts for bank holding companies of $1 billion or more in assets

Table **VI.** Effect of the Loss of Assessment Areas on HMDA Analysis
Caused by Excluding all Banks with assets of less than $500 Million from Bank Holding Companies of $1 billion or more from the 2002 CRA Data.
Mortgage Affiliates and Correspondent Lines Excluded.

	Total for Bank Holding Corporation			Total for only the Subsidiaries of less than $500 million in Assets		
	All Holding Corps	Those with Subsidiaries Less than $500 million		$	% of	% of
	$ Millions	$ Millions	% Total	Millions	Group	Total
Purchase Loans	20,023	6,525	32.5%	1,717	26.3%	8.6%
Home Improvement Loans	1,835	592	32.2%	152	25.7%	8.3%
			<			

For those 64 bank holding companies with assets of $1 billion up to $10 billion and subsidiaries of $500 million or less, about a quarter of their purchase mortgage and home improvement loan originations, exclusive of any non-bank affiliate mortgage subsidiaries, would no longer be reported within their assessment areas. For the bank holding companies with assets of $10 billion or more with small subsidiaries, the percentage drops to 12% to 15%.

CANICCOR argues against the change of CRA regulations regarding bank holding companies with assets of $1 billion or greater for the following reasons:

- **If any of these holding corporations with assets of $1 billion or greater sought to merge or acquire another institution, the Federal Reserve would not have had significant amounts of CRA lending data for an adequate evaluation. This lack of data would have impaired the CRA performance evaluations of these holding companies for mergers and acquisitions, and could lead to unexpected subsequent CRA performance results if the acquisition merges several inadequately evaluated depositories.**

- For CRA Performance Evaluations of the remaining individual depositories, such decreases in reporting of loans to small business and especially to small farms could significantly change the industry levels used for comparison to the examined depository, resulting in an inaccurate evaluations of the remaining institutions.

- The decrease in the number of assessment area census tracts of the holding companies by excluding small subsidiaries would decrease the amount of Home Mortgage Disclosure Act lending that would be counted as within the assessment areas for CRA Performance Evaluations. For the 64 holding companies with assets of $1 billion up to $10 billion and subsidiaries with assets of less than $500 million, there would be a reduction by about one-quarter in the amount of purchase mortgages and home improvement loans counted as within the assessment areas of the holding company and thus excluded from the CRA performance evaluations.

- Institutional investors with social screens would find difficulty in evaluating the social performances of these holding companies, thus hindering any investments in these corporations, the placing of deposits, and/or the purchase of debt instruments and services.

- The burden of performance evaluations of these depositories with less than $500 million in assets would have been relatively small, amounting to only 367 institutions in 2002 or about a third of the total depositories that would have been excluded under the proposed regulations. The cost burden to these large holding companies should also be small compared to total holding company assets.

Objection to the Exclusion of other Small Institutions with Assets of $250 million to less than $500 million

CANICCOR does not object to some streamlining of performance evaluations for lenders with assets of under $500 million but we do object to the loss of data.

As shown in Table I, if these small depositories, exclusive of the ones held by large bank holding companies, had not reported in 2002, the reporting of development and third-party lending would have decreased by 4.9%, of the loans to small businesses would have decrease by 12.5% and of the loans to small farms would have decreased by 23.6%. The decrease in census tract reporting would have eliminated from assessment areas about 10% of the total HMDA purchase mortgage and home improvement lending of 1892 CRA reporting depositories in 2002, although these percentages would be reduced for all HMDA reporters to 2.5% and 5.9%, respectively.

There were 238 bank holding companies with assets between $500 million up to $1 billion within this group. Table VII shows that of these 238 bank holding companies only 26 had with subsidiaries with assets between $250 million up to $500 million, which would not have reported in 2002, if the proposed regulations had been in place. While these subsidiaries of $250 million up to $500 million constituted 60% to 95% of the various loan types originated by these 26 bank holding companies, these loans amounts constituted only 5% to 8% of the total loans originated by these 238 bank holding companies. Although the exclusion of these subsidiaries would significantly impair the performance evaluations of these 26 bank holding companies, there would be little effect beyond these evaluations because of their small proportion of the total lending.

Table VII. Effect of the Loss of Assessment Areas on HMDA Analysis Caused by Excluding all Banks with assets of less than $500 Million from Bank Holding Companies of $500 million up to $1 billion from the 2002 CRA Data. Mortgage Affiliates and Correspondent Lines Excluded.						
	Total for Bank Holdina Corporation			Total for onlv the		
	Holding Corps	Subsidiaries Less than $500 million		$500 million in Assets		
Bank Holding	$ Millions	$ Millions	% Total	$ Millions	% of Group	% of Total
Assets	164,107	18,274	11.1%	12,493	68.4%	7.6%
Development and Third Party Loans	1,159	70	5.8%	67	96.2%	5.8%
Loans to Small Businesses	9,762	954	6.0%	722	75.7%	7.4%
Loans to Small Farms	1,694	149	8.8%	128	86.1%	7.5%
Purchase Loans	5,994	698	11.6%	506	72.4%	8.4%

This group of individual depositories and bank holding companies with assets of under $1 billion, exclusive of subsidiaries of bank holding companies with assets $1 billion or more has, in total, significant loan originations in most loan categories, although individually their originations may not be large. Thus CANICCOR is concerned that:

- **Such decreases in reporting of loans to small business and especially to small farms would have significantly changed the industry levels for comparison to the remaining depositories for which detailed CRA performance examinations would be performed by all federal regulators.**

- **Institutional investors with social screens would find difficulty in evaluating the social performances of these small holding companies and other depositories, thus hindering any investments in these corporations, the placing of deposits, and/or the purchase of debt instruments and services.**

Comments on Regulatory Burden

Before making supplemental recommendations, a survey of the distribution of lending among the reporting depositories is warranted. To simplify this analysis, the database was queried for depositories, which reported a given minimum amount of lending as shown in the first column of Table VIII. This minimum lending could be in any one or more of the three loan categories shown in the table.

The smallest minimum loan reporting limit of *$5* million would on average mean that about 100 loans to small businesses or 83 loans to small farms were originated, because the average loan to **a** small businesses was about $50,000 and the average loan to a small farm was $60,000. These numbers of loans represent an estimate of the lower limit of a performance evaluation with some statistical validity. The loss of data is minimal, but the number of reporters is reduced by 92 or 15%. Thus there is a saving in reporter and regulatory costs.

Minimum Origina-Tions $millions	Number Report-Ers	Assets of Reporters		Loans to Small Businesses		Loans to Small Farms		Community Dev. 3rd Party Loans	
		$ Billions	% 2002	$ billions	% 2002	$ billions	% 2002	$ billions	% 2002
>0	625	229.1	100.0%	13.82	100.0%	3.139	100.0%	1.149	100.0%
5.0	533	197.7	86.3%	13.61	98.4%	3.133	99.8%	1.098	95.6%
10.0	**467**	**173.9**	**75.9%**	**13.12**	**94.9%**	**3.107**	**99.0%**	**1.011**	**88.0%**
20.0	305	115.6	50.4%	10.74	77.7%	2.733	87.0%	0.763	66.4%

If the minimum reporting limit is raised to $10 million, the statistical evaluations become better with an average of 200 loans to small business and 167 loans to small farms. The number of reporters is reduced by 158 or 25%. There is a loss of *5%* of loans to small farms, but the only serious loss is the 12% loss of development lending and 3rd party loans. At a $20 million reporting minimum, the loans to small businesses is significantly impaired by a loss of 22.3% of the dollar amount reported. **CANICCOR would not recommend going above a reporting minimum of $10 million.**

Assuming that such a minimum reporting level would be useful, the next question is whether a minimum reporting level could also be applied to smaller subsidiaries of bank holding companies of $1 billion or more. Table IX provides the necessary information.

Minimum Origina-Tions $millions	Number Report-Ers	Assets of Reporters		Loans to Small Businesses		Loans to Small Farms		Community Dev. 3rd Party Loans	
		$ billions	% 2002	$ billions	% 2002	$ billions	% 2002	$ billions	% 2002
>0	334	71.45	100.0	7.210	100.0	1.051	100.0	0.649	100.0
5.0	252	59.95	83.9	7.002	97.1	1.008	95.9	0.631	94.4
10.0	**198**	**48.25**	**67.5**	**6.607**	**91.6**	**0.914**	**86.9**	**0.549**	**84.6**
20.0	104	30.48	42.7	5.410	75.0	0.715	68.1	0.391	60.4

Because of the present requirement that all subsidiaries of all sizes report for these holding companies, a minimum reporting level of $10,000 for each subsidiary would have greater impact than described in Table VIII above. The loans to small businesses would be reduced by 8.4%, while loans to small farms and development and third party lending would be reduced by 13.1% and 15.4%. While these decreases are high, these large bank holding companies will usually have larger subsidiaries reporting much higher volumes, so the net effect will be reduced.

Synovus Financial (RSSD 9348 = 1078846) was examined and a minimum reporting limit of $10 million eliminated only one reporter out of 31 reporters in 2002 and this one reporter reported no loans in any of these categories. Thus there was no effect on Synovus's reporting. Similarly there was no effect in using the $10 million minimum reporting for Heartland Financial (RSSD 9348 = 1206546). While this is not an exhaustive selection, these examples together with Table IX suggest that the negative effects of the $10 million minimum reporting limit are minor.

CANICCOR maintains that the definition of small institutions should not be altered from the **1995** regulations. However, in order to reduce regulatory burden, the federal regulators could consider altering the regulations to require reporting for only those institutions that have originated at least **$10** million in loans of one or more of the following: development & **3rd** party loans, loans to small businesses or loans to small farms, the latter two types being exclusive of correspondent lines. This minimum reporting level would have reduce the number of reporters in **2002** by almost **300 (294)** or by nearly a third of the reporters that would have been excluded under the proposed regulations.

Data Collection on Small Business and Small Farm Loans

CANICCOR supports the greater detail in the reporting of small business and small farm loans to be aggregated at the level of each census tract rather than the present level of census tract category as developed in 1995. However, if this finer level of collection is only possible under the proposed definition of "small institutions", then our preference is for not changing the present definition of small institutions and geographic level of data reporting now in force rather than obtaining this more detailed geographic level of the data with the loss of reporting depositories.

Consumer Law Violations and Non-Assessment Area Coverage

CANICCOR supports the section: Assigned ratings (c): "Effect of evidence of discriminatory, other illegal and abusive practices", but would urge that these requirements be broadened.

This section includes in the CRA performance evaluations by the depository regulators the violations of consumer protections laws as well as any patterns of housing lending on the basis of asset value, where the borrowers cannot be expected to be able to make the payments required under the loan. While this section applies to any area of the examined depository, it only includes the assessment areas of affiliate whose loans were considered for CRA purposes by the depository.

These limits of the permissible evaluation are of concern because of the separation of regulatory authority. Adequate evaluation by the depository regulators is confounded by the fact that the four depository regulators examine only the performances of the depository and contributing affiliates within the assessment areas while other agencies that can investigate and prosecute the violation of consumer laws and are not so limited geographically. These latter agencies are the Federal Trade Commission (FTC), Department of Housing and Urban Development (HUD) and the Department of Justice (DOJ),

CANICCOR in its analysis of the social rankings of lenders, performs its analysis at the holding company level, since this is the level of equity investments of institutional investors. These rankings cover both the lending within assessment areas and also that outside of the assessment areas. CANICCOR would support the broadening of the Performance Evaluations of the federal regulators to cover the all of the lending of an institution and its non-depository affiliates both within the assessment areas and outside of them, independently of whether the loans of a nonblank affiliate are counted by the depository for CRA credit.

Such a performance evaluations pose difficulties in the present regulatory environment. For example, Washington Mutual's HMDA reported lending is from Washington Mutual Bank FA, which is supervised by the OTS. However, its subprime lender, Long Beach, reports to HUD and the corporation has one bank subsidiary, which is supervised by the FDIC. Countrywide is simpler with only one bank, which has a small assessment area and which is supervised by the *OCC*. Finally J.P. Morgan Chase has its mortgage corporation under a bank regulated by the Federal Reserve but may move it to an OTS supervised subsidiary. However, it has banks supervised by the OCC.

Perhaps the best solution is a legislative solution suggested by the U.S. General Accounting Office: "Our report recommends that Congress consider (1) making appropriate statutory changes that would grant the Board (of Governors of the Federal Reserve System) the authority to routinely monitor and, as necessary, examine the nonblank mortgage lending subsidiaries of financial and bank holding companies for compliance with federal consumer protection laws applicable to predatory lending practices and (2) giving the Board specific authority to initiate enforcement actions under those laws against these non-bank mortgage subsidiaries."[2]

[2] D. G Wood, Testimony before the Special Committee on Aging, U.S. Senate, 24 February 2004, " Federal and State Agencies Face Challenges in Combating Predatory Lending" ,GAO-04-412T, U. S. General Accounting Office.